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January 10, 2018

Board of Directors
Community Homebuyers Corporation
227 W. Jefferson Blvd
Suite 1400 S.
South Bend, IN 46601

We have reviewed the report prepared by Community Homebuyers Corporation and opined upon by Wojtysiak & Company, LLC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Community Homebuyers Corporation as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Wojtysiak & Company, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

FINANCIAL STATEMENTS
Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Community Homebuyers Corporation

We have audited the accompanying financial statements of Community Homebuyers Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Homebuyers Corporation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



July 12, 2016

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

	<u>2015</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 322,477
Grants receivable	71,604
Due from participant banks for loan buy-backs	28,167
Other receivables	160
Total Current Assets	<u>422,408</u>
TOTAL ASSETS	<u>\$ 422,408</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 1,250
Note payable, bank	170,853
Escrow deposits	9,157
Accrued liabilities	1,151
Total Current Liabilities	<u>182,411</u>
NET ASSETS	
Unrestricted	<u>239,997</u>
Total Net Assets	<u>239,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 422,408</u>

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	<u>2015</u>
REVENUES AND OTHER SUPPORT	
Community Development Block Grants	\$ 230,600
Loan servicing fees	26,927
Loan origination and closing fees	12,288
Loan interest	634
Contributed administrative services	59,505
Total Revenues and Other Support	<u>329,954</u>
EXPENSES	
Program services - Affordable housing assistance	287,929
Supporting services - Management and general	28,400
Total Expenses	<u>316,329</u>
CHANGE IN NET ASSETS	13,625
NET ASSETS AT BEGINNING OF YEAR	<u>226,372</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 239,997</u></u>

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

FUNCTIONAL EXPENSES	Program Services	Supporting Services	2015 TOTAL
	Affordable Housing Assistance	Management and General	
Loan forgiveness	\$ 228,600	\$ -	\$ 228,600
Down-payment assistance	2,000	-	2,000
Administrative services	55,879	18,626	74,505
Professional fees	-	9,127	9,127
Program marketing	1,450	-	1,450
Other	-	647	647
TOTAL FUNCTIONAL EXPENSES	\$ 287,929	\$ 28,400	\$ 316,329

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	13,625
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loan forgiveness		228,600
(Increase) decrease in grants receivable		(71,604)
(Increase) decrease in due from participant bank for loan pool sold		5,087
Increase (decrease) in accounts payable		1,250
Increase (decrease) in accrued liabilities		439

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

177,397

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of loans		(1,143,000)
Proceeds from sale of loans		914,400

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

(228,600)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from note payable, bank		170,853
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NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES

170,853

NET INCREASE (DECREASE) IN CASH

119,650

CASH AND EQUIVALENTS, BEGINNING OF YEAR

202,827

CASH AND EQUIVALENTS, END OF YEAR

\$ 322,477

Cash paid during the year for:

Interest expense	\$	182
Income taxes	\$	-

See Independent Auditors' Report and Notes to Financial Statements

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through July 12, 2016, the date on which the financial statements were available to be issued. No reportable subsequent events were found.

NATURE OF ACTIVITIES

Community Homebuyers Corporation (the Organization) is an Indiana nonprofit corporation organized to provide affordable housing opportunities to low and moderate income households within St. Joseph County, Indiana with emphasis upon providing housing opportunities in neighborhoods considered at housing risk. Its operations are supported primarily from grants and donated services from the City of South Bend and from loan origination and service fees.

USE OF ESTIMATES

Management used estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results could differ from those estimates.

A significant estimate used in the accompanying financial statements is the allocation of costs between the program and supporting service, which is based on time studies and other methods of cost allocation.

BASIS OF PRESENTATION

Financial statement presentations follow the recommendations of accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. However, the Organization generally does not receive restricted net assets.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Permanently restricted net assets are those received with limitations on use that are attached to it for perpetuity. The Organization has not received any permanently restricted net assets.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GRANTS RECEIVABLE

Grants receivable are stated at the outstanding principal balances, net of any discount for contributions expected to be collected in more than one year and an allowance for uncollectibles.

The Organization provides an allowance for uncollectibles based upon the specific identification of receivables where collection is no longer deemed probable and an allowance based upon the level of total receivables. In determining the allowance, management evaluates the payment history and other known information for individual accounts, historical losses, and current economic conditions. Individual accounts are charged-off against the allowance in the period that the receivable is deemed uncollectible. Recoveries of receivables previously charged-off are recorded as income in the period received.

DUE FROM PARTICIPANT BANKS

Due from participant banks for loan buy-backs represents the costs of foreclosed loans repurchased from participant banks or investors that, in turn, must be repurchased by the participant banks. Due from participant banks for loan pools sold represents amounts of first mortgages sold to participant banks for which payment has not yet been received.

MORTGAGE LENDING ACTIVITY

The Organization assists low and moderate-income families to obtain home ownership under a mortgage loan assistance program. The Organization works with a bank that originates first and second mortgages for qualified buyers. First mortgages are purchased by the Organization and immediately re-sold to a group of participating banks at the face amount of the mortgages. Participant banks share agreed-upon portions of the loans and share in any foreclosure losses. The Organization earns mortgage servicing income from these first mortgages. The Organization also purchases the second mortgages from the originating bank, which are forgivable over 60 months if the borrowers make twelve consecutive monthly payments at any time during the first five years of the loan and complete housing education classes within the first year. Funds for second mortgages are generally derived from governmental grants.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Because management expects to forgive the entire amount of most second mortgages, such mortgages are expensed when purchased. Any amounts received from second mortgages due to borrower non-compliance must be used to originate additional second mortgages.

GIFTS AND GRANTS

The majority of the Organization's revenue is earned under cost-reimbursement awards from government agencies. Revenues are recognized under such awards when costs allowable under the terms of the awards are incurred. Advances received in excess of allowable costs are reported as deferred revenue in the statements of financial position.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not recognized until the conditions are substantially met.

Contributed services are recognized at estimated fair value if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended December 31, 2015, there was \$59,505 in contributed services recognized for administrative services provided by City of South Bend personnel.

SERVICE AND ORIGINATION FEES

Income from loan servicing fees is recognized when received. Income from loan origination and closing fees is recognized at the time the loan is closed.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ADVERTISING

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for the year ended December 31, 2015 amounted to approximately \$0.

INCOME TAX EXEMPTION

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is also exempt from Indiana income taxes under a similar section of the state's income tax laws.

UNCERTAIN TAX POSITIONS

The Organization has adopted the accounting for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Organization does not accrue interest or penalties associated with uncertain tax positions as part of the income tax provision. The Organization's U.S. federal Returns of Organization Exempt From Income Tax prior to fiscal year 2013 are no longer subject to federal examinations. The State of Indiana has statutes of limitations of three years. The Organization's tax returns are currently not under examination. An audit by the IRS could change the unrecognized tax benefit; however, it is not possible to estimate a range for such a change.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable of \$71,604 at December 31, 2015 consisted of amounts due from the City of South Bend for Community Development Block Grant claims, which were collected in 2016. No allowance for uncollectibles was considered necessary.

At December 31, 2015, the Organization had received approximately \$200,000 in conditional promises to give in excess of allowable costs incurred under cost reimbursement grants. Such promises will be recognized as revenue if and when allowable costs are incurred.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 3 – MORTGAGE LOAN INFORMATION

At December 31, 2015, the total balance of first mortgages sold to participant banks and investors was \$9,403,438 and the balance of second mortgages held by the Organization at December 31, 2015 was \$778,396. The accompanying statement of financial position does not report such second mortgages as assets because such mortgages are expensed when acquired since management expects to forgive most such loans, as discussed in Note 1. In 2015, \$228,600 in second mortgages were purchased from the originator and expensed.

The Organization and the participating banks securitized three sets of first mortgage loans that were sold to the Federal National Mortgage Association. Two of these securitizations were sold with recourse to the Organization; however, the participating banks have agreed to purchase any loans that the Organization is required to repurchase under these agreements and to reimburse the Organization for any additional costs incurred. The balance of such securitized loans at December 31, 2015 was \$427,588.

The Organization retains the servicing rights to the mortgages for all three of the securitizations, as well as for mortgages not securitized. Failure to service the loans in accordance with contractual requirements may lead to a termination of the servicing rights and the loss of future servicing fees.

NOTE 4 – DEBT INFORMATION

The Organization has a \$500,000 bank line of credit that is collateralized by all of the Organization's assets and bears interest at 100 basis points over Wall Street Journal prime. \$170,853 was outstanding on the line at December 31, 2015.

NOTE 5 – RELATED PARTY INFORMATION

Participant banks are considered related parties since representatives of the banks are members of the Board of Directors. At December 31, 2015, participant banks owed the Organization \$28,167 for loan buy-backs and \$0 for a loan pool sold. The Organization temporarily funds such buy-backs and loan pools and any related additional costs until it is reimbursed by the banks.

The Organization's administrative office is located in the offices of the City of South Bend (the "City"), and the managing employees of the Organization are all employees of the City. Total expenses for these services were \$74,505 for the year ended December 31, 2015, of which \$59,505 were contributed during the year ended December 31, 2015. The Organization has a payable for these services of \$1,250 for the year ended December 31, 2015. In addition, the Organization recognized \$230,600 in grant revenue from the City of South Bend for the year ended December 31, 2015, of which \$71,604 was due at December 31, 2015.

COMMUNITY HOMEBUYERS CORPORATION

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 6 – CONCENTRATIONS OF RISK

The Organization's activities are concentrated in St. Joseph County, Indiana. Accordingly, its revenues may be affected by conditions in that area.

For the year ended December 31, 2015, approximately 70% and 18%, respectively, of total revenues were from grants and contributed administrative services from the City of South Bend.

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and grants receivable. The Organization has cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation or that are invested in funds that are not insured. Cash and cash equivalents are maintained at high-quality financial institutions and the Organization has not experienced any losses on such deposits. On December 31, 2015, cash deposits exceeded FDIC limits by \$72,477.